

# MONEY MATTERS 2023: UL SYSTEM FINANCIAL WELLNESS SERIES

SESSION #11:

**FINANCIAL PLANNING WHEN RETIREMENT  
IS CLOSE...WITHIN 5-7 YEARS**



**JULY 19, 2023**



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**B.I. Moody III College of  
Business Administration**

# OWNING YOUR FINANCIAL FUTURE

ADULTS RETURNING TO  
FINISH A DEGREE:  
FINANCIAL & OTHER  
CONCERNS

JUNE 6, 2023

FINANCIAL PLANNING  
FOR GRADUATE STUDENTS

JUNE 7, 2023

FINANCIAL & TAX  
PLANNING FOR  
INTERNATIONAL  
STUDENTS

JUNE 8, 2023

THE FINANCIAL ASPECTS  
OF YOUR SIDE-  
HUSTLE #1 – PLANNING,  
STRATEGIES, LEGAL,  
RESOURCES

JUNE 20, 2023

FAMILY FINANCIAL  
PLANNING: MAKING  
FINANCES WORK FOR THE  
WHOLE FAMILY

JUNE 23, 2023

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PLANNING: SENDING  
YOUR LOVED-ONES OFF  
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PLANNING: CARING FOR  
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JULY 13, 2023

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ACCOUNTS & EMERGENCY  
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FINANCIAL PLANNING  
FOR VETERANS

JULY 18, 2023 \*\*\*

FINANCIAL PLANNING  
WHEN RETIREMENT IS  
GETTING CLOSE  
(5-7 YEARS OUT)

JULY 19, 2023 \*\*\*

THE FINANCIAL ASPECTS  
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HUSTLE #2 – TAXES,  
PROFITABILITY,  
EXPANSION, SUCCESS

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FINANCIAL PLANNING  
FOR THE FUN STUFF:  
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INVESTING 101

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NAVIGATING THE  
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AUGUST 2, 2023



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PLANNING WHEN  
RETIREMENT IS  
CLOSE

July 19, 2023

MOST SESSIONS ARE FROM 12:00-1:00PM  
\*\*\* SESSIONS ON JULY 18, 19 ARE FROM 3:00-4:00PM.

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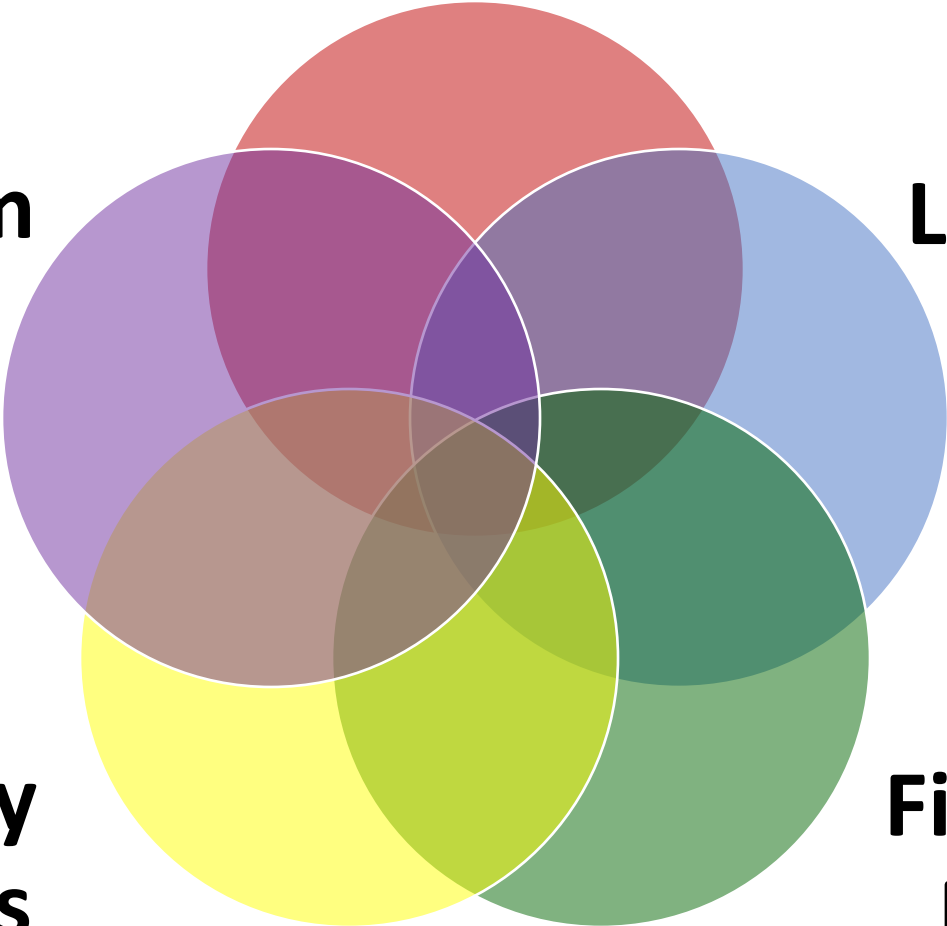
# Happiness

**Short-Term  
Goals**

**Long-Term  
Goals**

**Family  
Needs**

**Financial  
Needs**



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## ***The Context For This Conversation:***

***You, or someone close to you, is approaching retirement. This could be cold-turkey-never-work-another-second-in-your-life-retirement, or it could be leaving your main job to transition to less and more flexible working. You are 5-7 years away from cutting this cord...far enough away that you can still make plans and you have not made any irreversible decisions, but close enough that it's time to make changes and/or arrangements. You can decide how your family fits into this conversation – the basic ideas can apply to whatever your family situation is and will be going forward.***

***And...CONGRATULATIONS! You've earned this.***



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## What Are Your Values, Dreams & Goals?

Education

Career

Family

## What Is Your Current Situation?

Education

Career

Family

Financial

## Create a Personal Financial Plan for You:

Investing

Budgeting

Debt Management

Taxes

Insurance

Retirement

Education

Family

Business Planning

Philanthropy

Estate Planning



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# QUESTION #1

## *SPEAKING OF YOUR FAMILY...*

*HAVE YOU TALKED WITH THEM ABOUT YOUR PLANS?*

*HAVE YOU TALKED WITH THEM ABOUT WHAT IT MEANS FOR THEM?*

*HAVE YOU TALKED WITH THEM ABOUT LOGISTICS – TRAVEL, CARETAKING (OF YOU OR OF THEIR CHILDREN), FINANCES?*

*IF NOT, THEN NOW IS THE TIME.*



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## **QUESTION #2**

***HAVE YOU CREATED A BUDGET FOR RETIREMENT?***

***IF NOT, THEN NOW IS THE TIME.***

***YOUR INCOME WILL OBVIOUSLY BE DIFFERENT, BUT SO WILL YOUR EXPENSES. FOR SOME OF YOU, YOUR EXPENSES MIGHT ACTUALLY INCREASE (DUE TO MORE TRAVEL OR DINING OUT, PERHAPS), WHILE FOR OTHERS YOUR EXPENSES WILL DECREASE. YOU MIGHT ALSO STOP FORMALLY 'SAVING.'***

***BUT YOU HAVE TO ACTUALLY ANALYZE YOUR FUTURE AND SEE WHAT THE MATH SAYS.***



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## QUESTION #2

### *HAVE YOU CREATED A BUDGET FOR RETIREMENT?*

#### *NOTE ABOUT RETIREMENT SAVINGS ACCOUNTS:*

*IF YOU HAVE SIGNIFICANT MONEY IN A TAX-PREFERRED RETIREMENT ACCOUNT (401(K), 403(B) OR IRA), THE IRS WILL NOT LET YOU DEFER TAXES FOREVER. YOU WILL BE REQUIRED TO TAKE DISTRIBUTIONS FROM THAT ACCOUNT AT SOME TIME, USUALLY IN THE YEAR THAT YOU TURN 72. AND ALL DISTRIBUTIONS WILL BE TAXED AT YOUR FUTURE-CURRENT ORDINARY INCOME TAX RATE.*



## **QUESTION #3**

### ***WHAT ABOUT HEALTH INSURANCE?***

***FOR MANY PEOPLE, AS THEY GET OLDER, COMPANY-SPONSORED HEALTH INSURANCE BECOMES THE MOST IMPORTANT BENEFIT OF HAVING A JOB. THAT MAY BE ABOUT TO CHANGE FOR YOU.***

***WILL MEDICARE BE ENOUGH FOR YOU? MOST PEOPLE BECOME ELIGIBLE AT 65 AND IT IS ADEQUATE FOR MOST RETIREES. BUT IT MAY NOT BE ENOUGH FOR YOU. PRIVATE INSURANCE MIGHT COST \$1,000 OR MORE A MONTH.***

***BEGIN YOUR SHOPPING NOW TO MAKE SURE YOU HAVE THE COVERAGE YOU NEED.***



## **QUESTION #3**

### ***WHAT ABOUT HEALTH INSURANCE?***

#### ***NOTE ON MEDICARE:***

***YOU SHOULD APPLY FOR MEDICARE 3 MONTHS BEFORE YOU TURN 65 – AT THE LATEST – IN ORDER TO AVOID ANY DELAYS OR GAPS IN COVERAGE.***

***THIS IS INDEPENDENT OF WHEN YOU COLLECT SOCIAL SECURITY.***

***YOUR MEDICAL AND MEDICARE COSTS MAY INCREASE IF WAIT LONGER TO APPLY FOR IT. AND THERE IS NO REASON NOT TO DO IT AS SOON AS YOU CAN.***



## **QUESTION #4**

***WHAT ABOUT SOCIAL SECURITY?  
ARE YOU GOING TO COLLECT? WHEN?***

***YOU CAN CHECK YOUR ACCOUNT AT [WWW.SSI.GOV](http://WWW.SSI.GOV) RIGHT NOW TO SEE WHAT YOUR  
ESTIMATED BENEFITS WILL BE.***

***CHECK IT NOW – TO MAKE SURE THERE ARE NOT ANY BIG SURPRISES.***

***THE AVERAGE MONTHLY SOCIAL SECURITY BENEFIT IS ABOUT \$1,700.***

***BUT THAT'S AVERAGE – MEANING HALF OF AMERICANS RECEIVE LESS.***



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## **QUESTION #4**

### ***WHAT ABOUT SOCIAL SECURITY? ARE YOU GOING TO COLLECT? WHEN?***

***YOU CAN COLLECT SOCIAL SECURITY WHEN YOU TURN 62.***

***IF YOU COLLECT AT 62, YOU WILL RECEIVE 70% OF YOUR ESTIMATED BENEFITS.***

***IF YOU COLLECT AT 64, YOU WILL RECEIVE 80% OF YOUR ESTIMATED BENEFITS.***

***IF YOU COLLECT AT 67, YOU WILL RECEIVE 100% OF YOUR ESTIMATED BENEFITS.***

***IF YOU COLLECT AT 70, YOU WILL RECEIVE 124% OF YOUR ESTIMATED BENEFITS.***



## QUESTION #4

### *WHAT ABOUT SOCIAL SECURITY? ARE YOU GOING TO COLLECT? WHEN?*

#### *3 FINAL POINTS REGARDING SOCIAL SECURITY:*

- (1) YES, YOU CAN CONTINUE TO WORK AND EARN WHILE COLLECTING SSI.*
- (2) YES, YOUR SPOUSE AND POSSIBLY CHILDREN CAN RECEIVE SS BENEFITS BASED ON YOUR WORK LIFE.*
- (3) YES, YOUR SS BENEFITS MAY BE TAXABLE - ABOUT 40% OF RECIPIENTS PAY TAXES ON THEIR BENEFITS.*



## *QUESTION #5*

*ARE YOU PLANNING ANY BIG-TICKET PURCHASES WHEN YOU RETIRE? AN RV? A SECOND HOME? MATCHING HARLEYS?*

*IF SO, NOW MIGHT BE THE TIME TO BEGIN PLANNING – OR EVEN MAKING – THOSE PURCHASES...  
OR AT LEAST TO BEGIN THINKING ABOUT THEM.*



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## QUESTION #5

***ARE YOU PLANNING ANY BIG-TICKET PURCHASES WHEN YOU RETIRE? AN RV? A SECOND HOME? MATCHING HARLEYS?***

- *DO YOU HAVE TO SELL ANYTHING BEFORE YOU CAN MAKE THAT PURCHASE?*
- *ARE YOU GOING TO BORROW FOR THE PURCHASE? YOUR ABILITY TO BORROW MAY BE BETTER WHILE WORKING, WHILE YOUR INCOME IS HIGHER.*
  - *ARE YOU BETTING ON INTEREST RATES GOING HIGHER OR LOWER?*
  - *HOW IS YOUR CREDIT SCORE?*
- *HAVE YOU INCLUDED ALL OF THE OPERATING & MAINTENANCE COSTS IN YOUR BUDGET?*



## **QUESTION #6**

### **BENEFICIARIES!**

***I KNOW THAT'S NOT A QUESTION.***

***BUT DO MAKE SURE THAT YOU HAVE DESIGNATED BENEFICIARIES FOR ALL ACCOUNTS, ASSETS AND INCOME THAT ALLOW THEM — RETIREMENT ACCOUNTS, INSURANCE POLICIES, MILITARY BENEFITS. WE LOVE HAVING DESIGNATED BENEFICIARIES!***



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# 6 MORE THINGS TO THINK ABOUT

1. It might be time to re-allocate your investment portfolios.
  - 40 years from retirement:
    - 70% aggressive (stocks), 20% moderate (bonds), 10% cash
  - 20 years from retirement:
    - 40-60% aggressive, 20-40% moderate, 20-30% cash
  - 5-7 years from retirement:
    - 20-40% aggressive, 30-50% moderate, 30-50% cash



# 6 MORE THINGS TO THINK ABOUT

2. Do you have a last will, a living will and assigned power of attorney?
  - If not, now is the time to establish these documents.
  - You can do it all online for about \$400 or you can meet with a local attorney and establish everything for about \$2000.
  - Sooner is better. You never know when you will need any of these documents.
  - And this may make having difficult conversations with family easier.



# 6 MORE THINGS TO THINK ABOUT

3. Are you getting a pension? Is a lump-sum an option?
  - If you will be receiving a pension, consider yourself very fortunate.
  - But you may also have some decisions to make – some plans give you the option of taking a lump-sum at retirement.
  - Would you rather have \$500,000 in cash today or \$40,000 per year for the rest of your life (all of this is before taxes – sorry)?
    - That is a math problem, but it is also about your life expectancy and about your behavioral relationship with money. You may want to begin thinking about these decisions today so you are not caught off guard.



# 6 MORE THINGS TO THINK ABOUT

4. Are you going to do any consulting or side-hustle/hobby-type business activities?
  - If so, you might want to make it as official as possible...you might want to register your business at [www.geauxbiz.com](http://www.geauxbiz.com), for about \$100-\$300, depending on type of business
  - You might want to register as an LLC or a corporation to protect your personal assets from business decisions ( “limited liability” )
  - Keep in mind, that the income you earn from a side-hustle or a big-time business (a) is potentially taxable, and (b) may limit your ability to collect Social Security or other government benefits.



# 6 MORE THINGS TO THINK ABOUT

5. You might want to project out a tax analysis, to estimate what your obligations might be...so you can be strategic about when you retire and/or what income you collect and when.
  - Analyze – or inventory – all of your actual and potential sources of income...from paychecks to retirement accounts to SSI to business
  - With some of these sources of income, you can control the timing, perhaps choosing NOT to withdraw from your IRA in a given year
  - And map out (a) what your income obligations (and tax obligations) are, and (b) what your income options (and tax options) are...working to create an income stream that minimizes your total (or initial) tax liability.



# 6 MORE THINGS TO THINK ABOUT

6. What are you going to do with your time?

How are you going to continue to invest in yourself?

- Are you going to travel and play golf all day?
- Are you going to spend time with kids & grandkids?
- Are you going to consult, work part time & volunteer?





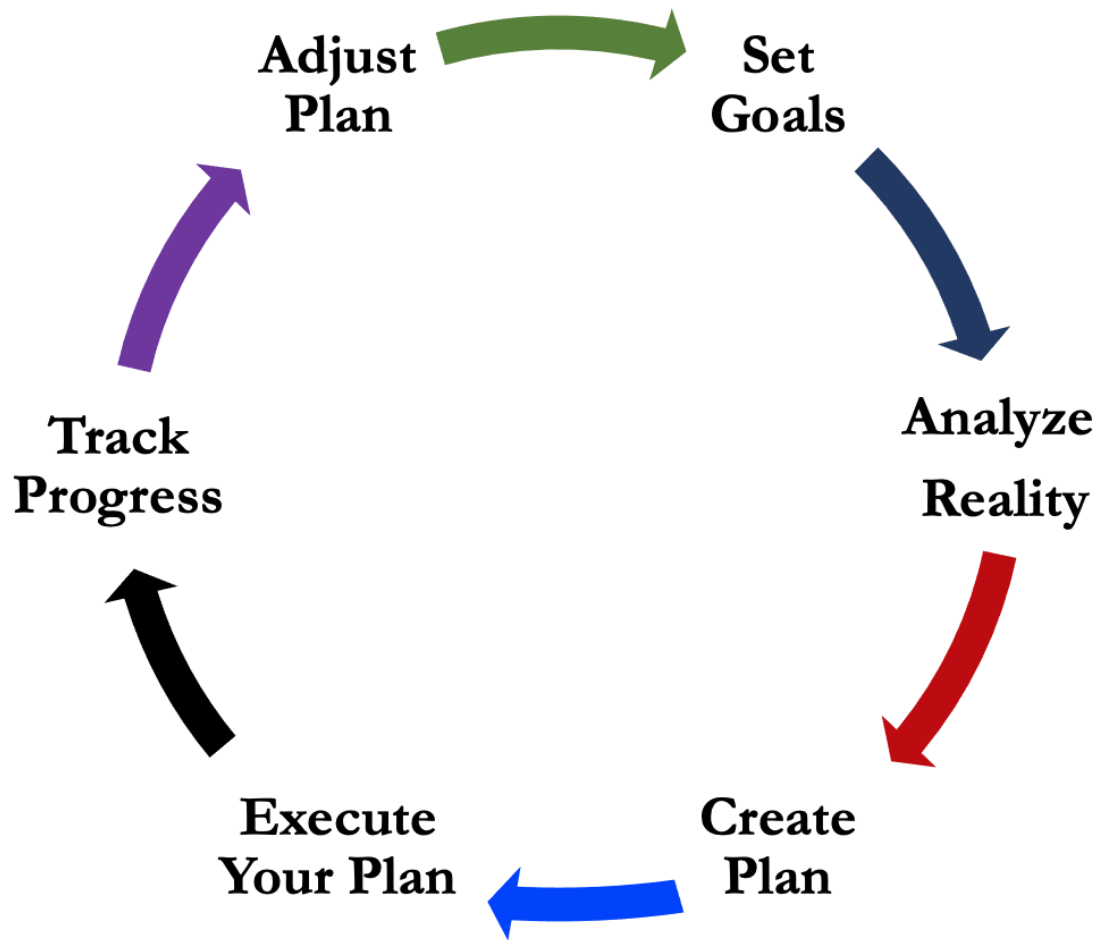
# 6 MORE THINGS TO THINK ABOUT

6. What are you going to do with your time?

How are you going to continue to invest in yourself?

- It's obviously fine for you to do whatever you want to do – you've earned that choice – but it's important to be honest with yourself so you know how your choices will impact your finances.
- For most of your adult life you've been balancing the ideals of “saving for your future” and “you only live once” ...now there is no more tension between those two ideals? How are you going to live your future?





1. **Set your goals.** What do you want to achieve in life? What financial goals will make this happen?
2. **Analyze your reality.** What is your situation? What is your income? What are your expenses? When can you achieve your goals?
3. **Create your plan.** Focus on the short-term – the next 3-6 months – and the long-term – the next 1, 2, 5 and 10 years.
4. **Execute your plan.** Work to decrease your expenses. and to pay off debt. Work to increase your income and your savings.
5. **Track your progress.** How are you doing? Are you ahead of your goals? Are you behind your goals?
6. **Adjust your plan** to reflect your progress, your new reality and any new goals.
7. **Repeat. Revise. Enjoy.**

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# Financial Wellness

*A goal without a plan is just a dream.*

*Wealth is largely the result of habit.*

*The most difficult thing is the decision to act; the rest is mere tenacity.*

*It takes as much energy to plan as it does to wish.*

*You cannot escape the responsibility of tomorrow by avoiding it today.*



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